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## AMERICAN TRADE UNIONISM—DISCUSSION

DAVID A. McCABE.—We are grateful to Dr. Barnett for bringing his analytical study of American trade-union membership down to date. I agree with his conclusion that union membership is in the course of a recession much greater than ten per cent. I shall devote my time to a further consideration of the position of the railroad unions. There are good reasons, to my mind, for expecting that most of the railroad unions will share in the general recession and that some of them will lose heavily.

There is no doubt that the labor provisions of the Transportation Act and the decisions of the Railroad Labor Board retaining so much of the substance of the so-called "national agreements" made between the unions and the Railroad Administration, have been of great assistance to the shop-craft unions and the miscellaneous unions, as distinct from the old Brotherhoods, in holding their membership. These unions are undoubtedly in a far better position now than they would have been if the roads had been left free to abrogate the national agreements and to make the attempt to return to more localized bargaining with the shop crafts and to try to dislodge the miscellaneous unions entirely. Yet, despite the large measure of protection given them by the Act and the Board, the shop-craft and miscellaneous unions are in a far less favorable position than they enjoyed in February, 1920, the last month of government control.

First, as to the functioning of the national unions in the redress of individual grievances. Dr. Barnett has pointed out the great significance of this function to the individual worker on the railroads. He has rightly emphasized the importance of the retention of so many rules embodying the highly prized individual rights of which he spoke. But—and this I think is also of importance—the system of national adjustment of claims arising under these rules, that of the national adjustment boards, has not been retained.

The national unions occupied a highly favorable position under the national adjustment board plan. These were joint boards to which the individual workers who felt aggrieved by the application of the rules by their own roads, or by disciplinary actions, could have their cases brought for final determination. They were joint boards, not tripartite boards. They were made up of equal numbers of representatives of the Railroad Administration and the national unions concerned. Moreover, the national union was practically the agency through which the case of the individual workman reached the proper board on appeal. Naturally enough, the individual worker looked upon the national union as the protector of the rights which he so highly valued. This fact, over and above the part played by the national unions in securing the establishment of these rules, was of

undisputed value to the national unions in obtaining and holding the allegiance of the workers.

The national adjustment boards were discontinued after the roads were returned to private management; and, although the Transportation Act authorizes the formation of such boards, subject to an appeal to the Railroad Labor Board, the roads have refused to reconstitute them. A number of western roads have combined to establish a regional adjustment board and a regional board has been projected for a few eastern roads, but these boards are to include only the older Brotherhoods. The roads have not formed, and there are indications that they will not agree to form, regional adjustment boards for the shop crafts or the miscellaneous occupations.

It is unlikely that any system of adjusting individual grievances and claims will prevail that will be as favorable to the national unions as the national adjustment boards. In the cases of the shop crafts and miscellaneous occupations, the practical functioning of the national union may be very seriously curtailed. If the roads refuse to set up joint boards of any wider jurisdiction than the single road or system, the advantage of membership in a wider organization is reduced. To be sure, the national union would be useful in carrying appeals from the road board to the Railroad Labor Board. But what the national union can get from the Railroad Labor Board is likely to be less than it was able to get from its own national adjustment board in the days of government control. If each road has its own joint board, and if the individual worker can vote for his representative and get easy access to the board, regardless of union membership or non-membership, and if the workers generally come to have confidence that they can get redress from their road boards in any case that would have a fair chance of success before the Railroad Labor Board, the hold of the national unions on their members will be greatly weakened.

With respect also to the other great function of national unions, that of collective bargaining for wages and general conditions, the position of the national unions is weaker than it was in February, 1920. It must not be forgotten that it was the Railroad Administration, and not the roads, that introduced the national basis in collective bargaining for the shop crafts and extended collective bargaining to the miscellaneous occupations. It is true that the Transportation Act gives the workers the right to continue to use the national unions as their agents in the determination of wages and other conditions if they so choose. But recognition of this right in the law and by the Board is far different from willing recognition by employers anxious to reach a settlement with the unions and from the generous recognition accorded by the Railroad Administration. Since the roads went back

to private management, no big issue has been settled by direct agreement between the roads and the respective unions. Successful collective bargaining on a large scale has been suspended.

What we have, it seems, is *de facto* compulsory arbitration. In the matter of wages the Board has given and the Board has taken away. The national unions have functioned as advocates, rather than as bargainers. Judicial determination has succeeded to the earlier joint determination by the unions and the roads, with all the elements of bargaining strength entering in, and the later joint determination by the unions and a sympathetic Railroad Administration. And the fighting strength of the unions in interest is not one of the seven factors that the Transportation Act requires the Board to take into consideration in reaching its decisions.

How will this change affect the unions? Will it not weaken them with that large class of workmen who will belong to labor organizations only when, and so long as, they see some individual advantage to be gained through union membership which will be lost if they do not support the union? The old Brotherhoods may hold their membership nearly intact, through tradition and because of the greater willingness the roads have shown to deal with them than with the other unions. The shop-craft unions have an element of strength also in the desire of those craftsmen who may anticipate seeking employment at some time outside the railroad shops to belong to the national unions in their respective crafts. The miscellaneous unions are in the weakest position, and I think we may expect a relatively large recession of membership in this group from the 1920 figures.

M. B. HAMMOND.—The figures given by Professor Barnett to show the growth of trade unionism in the United States from 1913 to 1920 doubtless represent the situation as accurately as it can be portrayed from such sources as are available. His figures are in substantial agreement with those gathered and published by the International Labour Office at Geneva. Incidentally, it may be remarked that while trade-union membership has had a phenomenal growth in the United States since 1913 its growth elsewhere has been even more remarkable. The figures published by the International Labour Office show that while the trade unions in the United States have, roughly speaking, doubled their combined membership since 1913, they have in the world as a whole trebled their membership during the same years.

We are more concerned, however, with the significance of this growth than with the mere fact of increase. Ordinarily, one would point to such a rate of growth as an indication of the growing importance of the trade union as an institution in our social and industrial life. This may be a true interpretation of the statistics. For most countries I am inclined to think it is the true interpretation, but I am

inclined to be somewhat doubtful as to whether this can be said to be true of trade unionism in the United States, and, if I understand Professor Barnett's implications, he shares somewhat this scepticism.

The first thing to which I want to call attention arises from the comparison between the rates of growth of trade unionism in the United States and the rest of the world of which I have just spoken. In the United States our strong unions have laid their emphasis upon efforts to secure recognition by employers and employers' associations and, when this has been obtained, have sought to accomplish their purposes by means of collective bargaining. On the whole, they have placed less emphasis upon labor legislation, except such legislation as was necessary to remove their legal disabilities, and they have constantly and successfully resisted the efforts of an aggressive minority of their members and of some of their friends outside the unions to have the trade union movement organize as a political party. In urging the pursuit of this non-partisan political program, trade-union leaders have doubtless had in mind the results of fruitless efforts of earlier and now defunct labor organizations which attempted to win their victories by direct political action.

I am not criticising American trade union leaders for refusing to organize a Labor Party. To win a political victory in the United States, a labor party would have to have the support of farmer votes; and in the United States, at least, land-owning farmers and agricultural tenants who hope to become land owners have not felt that their permanent interests were those of the city wage-earners. But that to which I am calling your attention is the fact that European trade unions which have pursued the opposite policy have increased their membership at a more rapid rate than have the American unions. The country with the largest trade union membership is Germany, where the number of members has grown from four and one-half millions in 1913 to an estimated thirteen millions in 1920. In Germany the trade unionists constitute the strength of the dominant socialist party, which, since the revolution of 1918, has had control of governmental administration. In Russia, with a trade union membership of nearly five and a quarter millions, we have had a trial—and apparently a failure—of genuine Marxian socialism, the rule of the proletariat, which has had its power centered in the trade unions. Belgium, France and Italy, all with socialistic governments, show an increase in trade-union membership of from one hundred to two hundred per cent. Other Continental countries and some of the British colonies show an even more striking growth in the membership of the unions and correspondingly great political influence of the labor or socialistic parties.

I hope that none of my audience will get the impression from what

I am saying that I think there is any necessary connection between the growth of political power on the part of the trade unions and socialism. Those of you who are familiar with the political, industrial, and social environment of Continental countries know that there were ample reasons for the association of trade unionism and political socialism in those countries. It is also true that since the Socialist parties have come to the top in the political chaos which has followed the Armistice, they have, outside of Russia, at least, either willingly or of necessity so modified their programs that there is little of genuine socialism left in them. In fact, the striking thing about their demands and their accomplishments, as I shall presently point out, is that they represent those things which we have long associated with trade unionism rather than with socialism.

In Great Britain, where, in spite of a strong socialistic element in the political labor party, that party, now occupying the Opposition benches in Parliament, is trade union rather than socialistic in its composition and policies. While the Coalition of the older parties continues, the Labor Party is bound to remain weak in numbers; and it may not in the near future become one of the leading political parties, but the influence of the trade unionists in government circles is unquestionably great and is not likely to become weaker.

In all the leading European countries and in the British colonies, the trade union movement can point to some very definite and positive results secured by means of legislation. Perhaps the most important of these is the almost universal adoption in countries with socialistic or labor governments of the legal eight-hour day. The leading motive in this legislation is one which has been controlling in the history of trade unionism in all countries. It was not the industrial motive, namely, the idea that eight hours will lead to larger production than a working day of greater length, nor yet the health motive with which we are so familiar in our own hours' legislation, especially for women and children. It was rather the demand for leisure for the worker, or what the *Manchester Guardian* calls "the desire to have more range and choice and initiative in one's own life," which led to this rapidly attained result in the field of legislation. Other results of the participation of labor in politics in Europe have been the laws providing for the participation of labor in the management of industries, the rapid extension of social insurance, particularly unemployment insurance, and minimum wage legislation. Although labor has suffered severe defeats in the industrial field since the Armistice, in Europe as well as in America, the most notable of which is the now-admitted failure of the proletariat control of industries in Soviet Russia, these achievements of organized labor in Europe by way of the legislative route are in striking contrast with the failure of organized labor to attain

any considerable results in the United States since the signing of the Armistice, in spite of the great increase in the membership of the trade unions.

The reluctance of the trade union leaders in the United States to seek to secure some of their demands by means of legislation seems to me to be at least in part responsible for the failure of organized labor to impress upon the American social mind the importance of its task and a realization of the strength of the numbers behind it. It is only by means of legislation that the trade union movement can secure the effective coöperation of many influential persons and voluntary associations in the ranks of what is generally known as the "middle class" in the attainment of what are believed by such persons and associations to be legitimate social demands. I think that a careful study of the progress of the laboring class in this and in other countries will show that the most important and permanent results have been attained by means of legislation, and I think that the same careful study will show that, with few exceptions, in this country at least, the movement which resulted in the enactment of the most important labor laws originated outside the ranks of organized labor and for a time, at least, secured little interest and support from the trade unions. I believe this statement will generally hold true of child labor legislation, of factory legislation in general, of minimum wage laws, and of workmen's compensation legislation and other forms of social insurance. Sometimes the support of organized labor has been secured in the later stages of the passage of such laws and frequently their initiative or coöperation has been responsible for the effective enforcement of such laws, when the benefits of the legislation had begun to be realized. Generally speaking, however, I think it will be found true that organized labor in the United States has devoted its strength to the cause of collective bargaining. Like, doubtless, most of my auditors, I have long been a defender of the plan of collective bargaining as the most effective way of protecting the propertyless laborer in the making of the labor contract. It is, therefore, not doubt in my own mind as to the validity of the principle of collective bargaining or as to the need of strong trade unions as instruments and agencies for the accomplishment of this purpose which leads me to question the wisdom of American trade union leaders in giving their energies so exclusively to the pursuit of this one objective, while neglecting other members of the laboring class, and other modes of improving the condition of their constituents which have won great victories abroad.

If I am right in my belief that the American trade union movement has not secured either from employers or from the public at large that support for its policies and program which the strength of its

numbers would lead one to expect, I must add that I believe there is another and a more fundamental explanation for this failure. It is the claim of trade unionists that, if their associations are recognized as the agencies for making the labor contract, they are prepared to offer employers decided advantages in the way of quality of workmanship and in increased stability of the labor market which will more than compensate employers for their surrender of the privilege of dealing with laborers as individuals, and which will also carry with collective bargaining great advantages to the consumers.

The argument is a plausible one and it is a belief in such possibilities which has led most of us to the support of collective bargaining. It would seem, however, that by this time the advantages of collective bargaining would have so impressed themselves upon employers that the most astute ones would have been eager to secure these advantages for themselves. Yet we find that, outside those industrial groups in which Professor Barnett has just shown that trade unionism has been aided by peculiar trade conditions, collective bargaining has made strangely little headway with the employers in the United States. The big industrial corporations and the establishments in which large-scale operations are carried on are giving more attention than ever before to the establishment of those conditions which make for the efficiency of their laborers and the stability of their labor supply. Yet, with very few exceptions, the managers of such corporations and establishments have not been converted to the gospel of collective bargaining through the agency of the trade unions. Mostly, they have refused to recognize the unions as the representatives of their own employees and when they have seen the desirability of giving their own employees some representation in the management of the plants, as is now the growing practice in relation to those matters in which labor has chief concern, such managers have almost always preferred to deal with representatives selected by organizations of their own employees than to deal with union representatives. In other countries, industrial representation of employees seems generally to come through the trade unions; and I am not claiming that the so-called "American plan" is to be preferred, or that it is the right method to secure genuine industrial democracy. But what I am asking is, Why have American trade union leaders failed in the course of an entire generation since modern trade union methods were adopted in this country to "sell" their wares to either the employers or the public?

Is not the failure due to the fact that both employers and the public have discovered that, when once the unions have obtained recognition and have established collective bargaining, they have preferred to push their advantages by monopolistic methods rather than by methods which would result in enlarged production and a lessening of



industrial strife? There is no time here to discuss the matter at length. We are all familiar with the methods for restricting production, by direct or indirect means, which are employed by nearly all the large unions—methods which recently brought a sharp rebuke from such a staunch friend of labor as Judge Landis, when he made his award in the arbitration case of the Chicago building trades. While such methods may be justified at times as weapons of defense in a class war, they can not be defended as socially beneficial or as part of a permanent policy any more than can the monopolistic price policies of the industrial combinations.

Surely, collective bargaining can be made to succeed without reliance on these monopolistic methods. If the unions are to regain the confidence of the public, which has, I think, been in some measure lost to them in recent years, they must do so by methods which are in harmony with a program for social and industrial efficiency. Possibly it is to be regarded as a welcome sign of an awakened conscience of the American trade union movement that at the recent Denver convention of the American Federation of Labor one of the resolutions adopted declared that "there are but two avenues to higher standards of living for our people as a whole—the elimination of waste and increased productivity."

F. S. DEIBLER.—The paper of Dr. Leiserson contains many points of interest for the students of labor problems. His experience as arbitrator has given him an excellent opportunity to observe the development and operation of a system of government in industry. In presenting his topic, the first section—"The Goal of Trade Unionism"—is interesting enough in itself, but has little direct bearing upon the main theme which he later develops. However, if I may digress, as I think Dr. Leiserson has, to consider the points raised in this portion of his paper, I may say that I find myself in substantial agreement with his criticism of Hoxie's functional classification of Unionism, but I am accustomed to place a different emphasis on the point. The word "functional" as used by Professor Hoxie, is misleading. The terms which he uses, "business unionism," "up-lift unionism," "revolutionary unionism," and "predatory unionism," are quite descriptive and extremely useful, but are descriptive of methods used by unions rather than of functions performed. The function of Unionism is to protect and promote the economic interests of the workers as workers. The most radical I. W. W. may claim this common purpose as his goal alongside of the most conservative trade unionist—and yet the methods of attaining these ends may be as widely separated as those of the "business" union and the "revolutionary" or "predatory" union. If I am correct in my distinction, unionism may be unitary from the point

of view of function, and vary widely in the methods of attaining its ends or purposes.

Turning now to the main theme—*Constitutional Government in American Industries*—there are at least three queries that may be raised concerning this subject: (1) What is meant by constitutional government in industry? (2) To what extent can employer-employee relations be resolved by the application of principles? (3) Does not the success of any plan depend quite as much upon the sincerity and “good will” of the two parties as upon the form of machinery through which they operate?

From the most casual reading of the literature on this subject, it will be apparent that this expression—constitutional government in industry—is most loosely used. Sometimes the expression is made to include the agreements worked out by a trade union and an individual employer; again it may mean the negotiations between representatives of the employers and representatives of the men for an industry—as in the coal mining industry in the central states territory; or it may include only those schemes that have set up definite machinery for the adjustment of disputes—as in the men’s clothing industry; or again it may be inclusive of all methods that are being tried out as means of adjusting the employer-employee relations.

While Dr. Leiserson does not define his usage, yet it is apparent from the context that he is using the expression in an inclusive sense and has in mind the evolution in the direction of limiting the employer’s right of absolute control in industry. By analogy he finds the various elements of government developing in industry—taking on the constitutional forms well known in modern states. From a sociological point of view, I suppose, it is correct to emphasize group action and to show how similar sets of circumstances tend to develop similar institutions, whether these influences are operating within the larger social group or within that group represented by the employer-employee relations. The significant thing in this study, as I see it, is not the kind or form of institution that is developing, but the fact that an orderly procedure in disposing of conflicting interests has been devised and that one should analyze that procedure to see what changes it imposes upon the relations of the parties thereto. The real contribution in this paper is in calling attention to these changes and pointing to the direction in which the movement is going.

A significant fact to be noted is the development of limits on the control exercised by the employer. Dr. Leiserson very convincingly describes the change and gives adequate proof for this general statement. His position can be greatly strengthened by reviewing certain historical relations. The right of the employer to exercise control in industry is based upon the right of property. Since the abolition of

slavery, ownership rights have been confined to land and capital, and, from the point of view of the entrepreneur, labor has been an unowned factor. In the simpler stages of industry the control exercised by the entrepreneur was not fraught with the same social consequences as now. It could not affect so powerfully the life of the laborer as in modern conditions where concentration of control has become so important. As long as the producing unit was small and the number of competing employers large, there was little need for labor to dispute the control exercised by the employer. The laborer found that his interests were reasonably protected by the operation of competitive forces, and, in addition, the employer-employee relations were more personal than now.

But the industrial changes during the last half century have greatly modified these simpler conditions. The most potent influence in centralizing control in modern industry has been the corporation. Whatever may have been its effects upon ownership, the corporation has greatly concentrated control.<sup>1</sup> Under these conditions the interests of the unowned factor—labor—do not coincide at all times with those of the entrepreneur, nor are they protected and promoted by the same forces which promote those of the employer. Hence, at this point labor begins to dispute the rights of control based upon the ownership of property and demands a voice in the determination of the policy of the business so far as this pertains to questions that intimately affect labor. When we survey the whole industrial field, three fairly distinct stages in this development may be observed: (1) The laborer demands wage and working conditions suitable to himself. (2) He insists that his organization be recognized and his representatives be regularly consulted in the determination of the labor policy. This stage often leads to vigorous resistance on the part of the employer. Strikes and labor disputes will ensue before the employer is willing to concede the rights demanded and to agree to a limit on his control. (3) There is the stage in which regular machinery is set up for the operation of the joint control. As soon as the employer releases his control and collective bargaining begins, then there arises a problem of organization for the effective operation under the new situation. It is in this stage that we find such an industry as the manufacture of men's apparel. The entrepreneur, or management, now faces two problems: (a) what form of machinery is best adapted to the industry in question; and (b) what principles, if any, can be found to guide the operation of the machinery thus constituted. To what extent can the field of dispute be narrowed and on what principles or philosophy

<sup>1</sup>It is frequently shown how the corporation has made possible the diffusion of ownership and many companies point with pride to the wide holdings of their stock.

can management and employees agree in advance that will insure the protection and promotion of the interests of both.

This leads to the second query, namely, to what extent can disputed questions be resolved by the application of principles? Here I conceive two sets of problems, those that pertain to "working rules," and those that pertain to wages. Both affect costs and are important to the employer. The extent to which problems growing out of "working rules" can be resolved by principles seems to me to be very limited. A common rule, as the number of apprentices allowed, or a rule on the introduction of new processes, often appears in agreements covering either a market or an industry, but when the test comes there is no very clear-cut principle to resolve the points in dispute. The cases are usually settled by compromise. Besides, the trade practice is likely to vary from establishment to establishment so that many rules operate only within a single plant. Perhaps longer experience in negotiating through the constitutional forms which Dr. Leiserson has in mind will result in the building up of standards that are mutually satisfactory.

When we turn from working rules to wages, and inquire the extent to which principles can be applied here, we might expect a more confident answer. Economists for years have been thinking and writing on distribution and have had much to say concerning wages. But what has been said on this question has had to do mainly with functional distribution and furnishes little guidance for the determination of wage disputes. Take the productivity theory for example. This is a useful statement in explaining in a broad way the division of social income among the factors of production, but its use is very limited in determining quantitatively the pay of an individual worker. Employers like to use a piece-work system of pay and often argue that in this way each man is paid according to his merits or output. But how can the piece rate be determined? At best the productivity theory can be used to set broad limits within which negotiations may take place.

A second theory frequently advanced as a means of settling wage differences is the "cost of living." This suggestion has the merit of lending itself to a rough quantitative measurement. But when applied there seems to be room for wide differences of opinion as to what cost of living actually is in a particular instance. Few workmen will accept this as a final solution of the wage problem because it leaves the question of the distribution of the results of invention and progress unsettled. While the acceptance of this theory may be useful in narrowing the field of dispute, there still remains a "no man's land" unprovided for. I do not wish to imply by the foregoing discussion that I despair of the application of principle to the problems involved.

My point is that it is not sufficient to set up a form of government and expect it to operate. The adoption of joint control as indicated sets up new responsibilities, and, if successful, management will be required to give to these the same kind of intelligent consideration as goes into the technical and sales sides of the business.

In the operation of any such system as Dr. Leiserson describes, there is one point at which a serious mistake may easily be made which will have large economic and social consequences. Many decisions formerly made by the entrepreneur are now shifted to the joint machinery of control. In this shift there is danger of encroaching upon the elasticity that should exist in a healthy state of industry. A decision under joint control becomes a point of advantage and the party benefiting thereby will resist a modification. Formerly, a decision could be modified at will of employer, thereby giving great elasticity in adapting practices to conditions. In this regard the joint machinery of control operates much as a supreme court. There is this advantage in the operation of a plan like that in the clothing trade over governments—the whole trend may be more easily modified, as the result of the recurring renewals of the agreement, than a change made in the constitution of a state or the nation. But nevertheless, it would seem to me that during the life time of the agreement the impartial machinery should confine its decisions strictly to the specific problem before it, rather than look for a broad, inclusive principle that will settle all the difficulties in the industry. The latter policy will be elusive, and every decision tends to narrow the influence of the joint control and limit its power to make decisions in the interest of the industry.

My last query is whether the success of any plan does not depend more upon the "good will" between the parties and the sincerity of each in accepting the new relationship than upon the form of the machinery adopted. My observation leads me to this conclusion, and the evidence supporting it is the fact that a wide variety of forms have operated effectively, when there has been a disposition to agree. Mr. J. E. Williams expressed this idea perfectly when he said, "Any system will work when there is a will to agree."

NOEL SARGENT.—Dr. Barnett sounded the text for my remarks in his statement of the reluctance of trade unions to guide their policies by purely competitive, economic considerations. This fact is complete justification of the arguments made by opponents of the closed shop, which system if it should prevail on a national scale would put the present uneconomic policies and methods of the trade and labor unions in control of industry to an extremely detrimental extent.

It is with a full sense of the so-called elements of partisanship that I venture to speak upon this controversial topic, since it is by no

means the only labor problem which exists. The splendid paper on the growth and prospects of American unionism justifies some elaboration upon the remarks as to the greater character of union policies.

It will be well here to enumerate a few of these policies, and the methods by which they are put into practice. All of these, and many more, have been clearly revealed by investigations in New York City during the past month of the Lockwood Committee, authorized by the State Senate.

1. Duplication of work is made necessary by forcing destruction of casts, etc., once used.

2. The use of improved methods is opposed.

3. The "permit" system under which independent workers must pay weekly to the union, fees larger than the dues paid by union members, for the privilege of working. In New York City, 3000 union electricians were shown to control the labor of 15,000 non-union electricians.

4. Refusal to admit new members. Several New York unions have no more members than ten and fifteen years ago, despite the expansion of building operations.

5. The apprenticeship system is merely another method of restricting union membership. Reductions in the number of skilled workers do more than create artificial monopolies and increase costs. They increase the number of unskilled and consequently increase the ranks of those who suffer most in periods of unemployment.

We all recognize, in theory at least, the harmful effects of policies such as those just mentioned. It is possible, fortunately, to make some investigations of the practical results of these policies. In speaking of these policies, I should mention that the great value of proper organization is fully recognized and admitted.

Let us examine the records of building permits for the first nine months of 1921 in thirty prominent American cities, twenty-five of them being among the fifty largest cities, according to the 1920 census.

In fifteen of these cities building is on an open-shop basis,<sup>1</sup> in fifteen it is on a closed-shop basis.<sup>2</sup> A city is placed in neither group unless its building is at least 75 per cent "open" or "closed." In those cities in which building is on a "closed-shop" basis the per-capita value of building permits for the first nine months of the

<sup>1</sup>The open-shop cities are Los Angeles, Oklahoma City, St. Paul, Detroit, Minneapolis, Atlanta, Richmond, Milwaukee, San Antonio, Seattle, Grand Rapids, Duluth, Nashville, Akron, Spokane. The combined population is 4,250,412.

<sup>2</sup>The cities in which building is on a closed-shop basis include New York, Cleveland, Indianapolis, Newark, Kansas City (Missouri), Chicago, Cincinnati, Dayton, Syracuse, Louisville, Pittsburgh and McKeesport (together), New Orleans, St. Louis, Scranton, Butte. They have a combined population of 13,105,501.

present year was \$41,<sup>3</sup> in the "open-shop" cities the figure was \$48.<sup>4</sup> In other words those uneconomic policies which we condemn in theory are shown in practice to decrease the amount of building construction and to delay the ending of the present structural shortage.

Less building naturally means less employment. This fact is extremely important since the building industry is one of the key industries of the country. A report issued by the Committee on Statistics and Standards of the United States Chamber of Commerce, the committee including many eminent economists, declared:

"Construction would seem to be the barometer of our industrial life. When depression strikes construction, it rocks the entire industrial structure and 'good times' undergo a process of metamorphosis which is conducive to acute conditions. But when the tide turns, construction is the first to be carried with the rising flood, and other industries follow in its wake."

The emergency program for the immediate relief of idle workers promulgated by the National Conference on Unemployment, September 30, also declared (section 11):

"The greatest area for immediate relief of unemployment is in the construction industry, which has been artificially restricted during and since the war."

The building industry, therefore, is the key of the unemployment situation. It is not maintained that the closed shop is the chief cause of unemployment, or that the universal adoption of the open shop would bring universal employment. But it is maintained that closed-shop conditions tend to greatly increase the extent of unemployment. Much as I favor the open shop it is perhaps pertinent to say that I do not favor its attempted establishment by legislation.

The Department of Labor presented to the National Conference on Unemployment figures as to the number of those unemployed in our cities.<sup>5</sup> Taking the cities for which the previous comparison was made we find that where building, the key industry, is on an "open-shop" basis 3.4 per cent of the population was unemployed; where building was on a "closed-shop" basis 7.4 per cent were unemployed. That is to say, unemployment was 117.6 per cent greater where closed-shop conditions prevailed in the building industry.

*Dicta* do not succeed. Until sound economic principles are fully recognized by both capital and labor, individually and in groups, our industrial efficiency will remain impaired.

<sup>3</sup>The inclusion of New York, with an average of \$55, makes the closed-shop figure much higher than real comparative conditions between the two groups warrants, as New York has over a third of the group population. The comparatively high New York figure is the result of tax exemption ordinances, and exists despite very restrictive practices by unions and builders.

<sup>4</sup>For eight of the cities—Indianapolis, St. Louis, Scranton, Butte, Duluth, Oklahoma City, Nashville, and San Antonio—figures for only eight months were available and the ninth month was considered as one-eighth of the total of the other months. Building in McKeesport was estimated as being at the same ratio to that in Pittsburgh as its population bears—7.8 per cent.

<sup>5</sup>These figures appeared in the New York Herald of October 5, 1921.

Professor Hollander in his presidential address pointed out the absolute necessity of "abandonment of unsound practices" in our economic system, and the responsibilities resting upon American economists to take the lead in the creation and maintenance of sound industrial policies and methods. Economists must point out clearly the fallacy of and harm resulting to the public, to industry, and to the worker from *dicta* such as we have mentioned. They must do this, if they are to best represent the highest meaning of their science, to a greater extent and in a more forceful manner than ever before; this is a paramount duty in the interest of national prosperity. Professors Barnett and Hollander deserve hearty congratulations for indicating a new line of duty which economists, if they have not overlooked it, may possibly have neglected to develop.

Having been so fortunate as to have had especial advantages for the study of the "open-shop" discussion of the past two years, particularly in certain of its phases, I shall now mention briefly a few of the features of the "conspiracy," "campaign," "discussion," or "movement," as it has been variously called.

1. The most important fact, it seems to me, is the extent to which the advocates of the open shop have addressed their chief argument to the public. They maintain that the chief test to apply to any industrial principle is whether it harms or benefits the general public. The closed-shop protagonists, on the other hand, have almost unanimously refused to discuss the question upon that basis, preferring to rely upon arguments of class advantage, with particular emphasis upon alleged benefits to the minority of workers who are members of labor organizations. And my personal opinion is that these organizations have already lost much more than the 10 per cent figures mentioned by Professor Barnett. With the present type of leadership, and with the prevailing union refusal to urge individual members to increase their earnings by individual merit, a further decline in real membership will be experienced, particularly as to the percentage of skilled workers organized. But to return from our digression. This reluctance and refusal to argue from the standpoint of public welfare, coupled with a general knowledge of uneconomic union practices during and since the war, and actual or potential strikes which, rightly or wrongly, the public believed inimical to its interests have caused public opinion actively to support the industrial advocates of the open shop. These advocates recognize that nothing can permanently benefit industry which harms the public; they believe also that policies and methods which impair the true efficiency of industry are detrimental to the public welfare and that these detriments should be vigorously set forth for general inspection.

2. Recognizing that public welfare is superior to the welfare of either employer or laborer and that no industrial system can permanently succeed without the support of the public, the open-shop advocates have particularly endeavored to make their position known to the chief molders of public opinion—the educators and the clergy.



Special efforts have also been made to present their arguments to high school and college debaters, an important feature in the formation of public opinion, when we consider, for instance, that in Texas alone last year over 1,000,000 people heard debates on the open shop.

3. While we all have a general knowledge of what the "open shop" is, it may be well here to know the employers' definition. The Open Shop Committee of the National Association of Manufacturers is composed of prominent American business men and defines an open shop as "one in which there is no discrimination against workers on account of either membership or non-membership in any lawful organization operating in a lawful manner." This definition, it will be noted, does not oppose discrimination in employment which is not based upon mere possession or non-possession of a certificate of membership in a private society; it justifies discrimination against organizations such as the I. W. W. and the United Mine Workers. The most repeated public claim of the closed-shop leaders is that the term "open shop" is in reality only a camouflage for the "non-union" shop. Yet a nation-wide survey in the *Philadelphia Public Ledger* of July 3, 1921, gives a very impressive list of leading American firms which actually have in their pay rolls both union and non-union men. This investigation made by the *Public Ledger* is of extreme importance, since it conclusively demonstrates the falsity of the claims that there is no such thing as an "open shop" and that unions cannot exist without the "closed shop."

4. The open shop discussion of the past two years has also been marked by the great amount of newspaper advertising resorted to by local employers' associations and union bodies.

5. The opponents of the closed shop have not confined their opposition by any means to the activities of union organizations. The "exclusive agreement" is the ultimate evil of the closed shop, as has been amply demonstrated in the clothing situation in New York City and the building trade conditions in New York, Chicago, Cincinnati, and elsewhere. Under such agreements all competition is eliminated, the unions, through their leaders, agreeing to work only for members of a particular employers' combination, to which employers who will not accept its policies are refused admission. In the building trades such agreements have enormously raised construction costs. They are possible only because of the power the closed shop places in the union leaders; but the employers' groups which make such monopoly agreements merit condemnation.

6. There has been no attempt by open-shop advocates to deny that the open shop benefits the employer by increasing his profits. If investment is justified so are profits, and unless profits are made capital will be withdrawn. National prosperity needs prosperous business.

The employers consider the open-shop problem as a fundamental question of whether the determination of important policies of industrial management shall be granted to organizations whose rules,

which must apply where closed-shop agreements are signed, are made by men the great majority of whom are not employed in the establishments. Like all fundamental questions, however, we find "hot and cold" periods in its discussion, periods when it has greater or less immediate national interest, bearing in mind that there are always local controversies.

Our first major period in this century occurred from 1903 to 1905, when, following the Anthracite Coal Strike Award, many employers' associations took a stand for the open shop. The American Economic Association in 1903 and 1905 devoted special sessions to the subject.

From 1912 to 1914 we had another period of great discussion. The third period has been from 1919 to the present time. In the second of these periods public sentiment seems to have been pretty much divided; in the first and present periods it has been markedly with the advocates of the open shop.

It will appear that in order to prevent any reaction of public sentiment the employers must do three things and do them consistently and not sporadically: (1) demonstrate that the worker fares best under the open shop; (2) let the public know the facts concerning industrial conditions, and (3) answer, instead of neglecting, the oft-repeated union claims. There are indications that employers will do this. Mr. Mason, then president of the National Association of Manufacturers, and the Open Shop Committee of the same organization emphasized in the spring of the present year (1921) the importance of selection and training of foremen and plant executives, of giving information to employees as to business principles and methods, and of better methods of industrial employment and allocation. During the next few years we may expect to see ever greater attention given to such questions by our industrial leaders.